

AMENDED IN SENATE MAY 10, 2011

AMENDED IN SENATE MARCH 22, 2011

**SENATE BILL**

**No. 143**

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**Introduced by Senator Rubio**

January 31, 2011

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An act to add the heading ~~to~~ *of* Chapter 1 (commencing with Section 38570) to, and to add Chapter 2 (commencing with Section 38575) to, Part 5 of Division 25.5 of the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

SB 143, as amended, Rubio. California Global Warming Solutions Act of 2006: greenhouse gas emission reduction offsets: programs and incentives.

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020, and to adopt rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions. The state board is authorized to adopt market-based compliance mechanisms, as defined, meeting specified requirements to be used for compliance with those regulations.

This bill would require the state board, on or before July 1, 2012, to adopt methodologies for determining the quantity of greenhouse gas emissions reduced through specified greenhouse gas emission reduction programs. The bill would require the state board to adopt regulations

governing the creation of greenhouse gas emission reduction offsets based on investments in those programs for purposes of banking, trading, and using the offsets to comply with the market-based compliance mechanism adopted by the *state* board. ~~The bill would also authorize the state board to use revenues from an auction or other sale of greenhouse gas allowances, upon appropriation by the Legislature, to establish and provide incentives for private investment in specified greenhouse gas emission reduction programs, in accordance with requirements prescribed by the bill. The bill would require the state board to credit persons who invest in those programs with greenhouse gas emission offsets, based on a cost-effectiveness calculation determined by the state board, with specified exceptions.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The heading of Chapter 1 (commencing with  
2 Section 38570) is added to Part 5 of Division 25.5 of the Health  
3 and Safety Code, to read:

4  
5 CHAPTER 1. GENERAL PROVISIONS  
6

7 SEC. 2. Chapter 2 (commencing with Section 38575) is added  
8 to Part 5 of Division 25.5 of the Health and Safety Code, to read:

9  
10 CHAPTER 2. INCENTIVES FOR CALIFORNIA GREENHOUSE GAS  
11 EMISSION OFFSETS  
12

13 38575. The Legislature finds and declares all of the following:

14 (a) This division provides for the adoption of rules and  
15 regulations to achieve the maximum technologically feasible and  
16 cost-effective greenhouse gas emission reductions to achieve the  
17 state's greenhouse gas emission reduction goals, and authorizes  
18 the state board to provide for the use of market-based compliance  
19 mechanisms to meet the requirements of this division.

20 (b) This division directs the state board to ensure that the  
21 greenhouse gas emission reduction rules, regulations, programs,  
22 mechanisms, and incentives under its jurisdiction, to the extent

feasible, direct public and private investment toward the most disadvantaged communities in California.

(c) The state board has adopted a regulation to establish a cap-and-trade market-based mechanism designed to achieve the statewide greenhouse gas emission reductions required by this division.

(d) The creation, banking, trading, and use of greenhouse gas emission offsets can help regulated entities further reduce the cost to comply with their cap-and-trade compliance obligations.

~~(e) The establishment of incentives for the reduction of greenhouse gas emissions in California in order to create greenhouse gas emission offsets can improve the cost-effectiveness of compliance with this division, while helping support the state's economy, providing green jobs, encouraging investment in local communities, and reducing the state's energy consumption.~~

38576. (a) On or before July 1, 2012, and in accordance with Section 38571, the state board shall adopt methodologies for determining the quantity of greenhouse gas emission reductions resulting from implementation of all of the following programs:

(1) Voluntary energy efficiency programs.

(2) Distributed electricity generation programs, including the California Solar Initiative.

(3) Programs adopted and implemented by the Public Utilities Commission and the State Energy Resources Conservation and Development Commission that may reduce greenhouse gas emissions in the state.

(b) Each methodology adopted pursuant to subdivision (a) shall include a determination of the cost-effectiveness of the program for which the methodology is adopted, specified in dollars per ton of greenhouse gas emissions reduced. The state board shall update the cost-effectiveness determinations from time to time, upon determining that an update is needed.

38577. (a) (1) Commencing on July 1, 2012, for purposes of complying with the market-based compliance mechanism adopted by the state board pursuant to Section 38570, a person may invest in a program for which an emission reduction methodology has been adopted by the state board pursuant to subdivision (a) of Section 38576.

(2) For purposes of this subdivision, the state board shall adopt regulations creating greenhouse gas emission reduction offsets

1 that may be banked, traded, or used for compliance with the  
2 market-based compliance mechanism adopted by the state board  
3 pursuant to Section 38570.

4 (b) A person who invests in a program pursuant to subdivision  
5 (a) shall be credited by the state board with a quantity of  
6 greenhouse gas emission offsets that shall be determined by  
7 ~~multiplying~~ *dividing* the dollar amount of the investment by the  
8 current cost-effectiveness of that program, as determined by the  
9 state board pursuant to subdivision (b) of Section 38576.

10 ~~(e) (1) Upon appropriation by the Legislature, and after~~  
11 ~~consultation with the Public Utilities Commission and the State~~  
12 ~~Energy Resources Conservation and Development Commission,~~  
13 ~~the state board may use revenues from any auction or other sale~~  
14 ~~of greenhouse gas allowances to establish and provide an incentive~~  
15 ~~for private investment in any program for which a methodology~~  
16 ~~is adopted pursuant to subdivision (a) of Section 38576.~~

17 ~~(2) For any program specified in subdivision (a) of Section~~  
18 ~~38576, the state board may specify that an incentive will be~~  
19 ~~provided in accordance with paragraph (1) for each private~~  
20 ~~investment in that program pursuant to subdivision (a), not to~~  
21 ~~exceed 40 percent of the amount of the investment. The quantity~~  
22 ~~of greenhouse gas emission offsets attributable to the incentive~~  
23 ~~shall be calculated in accordance with subdivision (b), and shall~~  
24 ~~be credited to the person investing in the program pursuant to~~  
25 ~~subdivision (a).~~

26 ~~(3) The state board, after public hearing, may determine that~~  
27 ~~incentives made under this subdivision shall be available only for~~  
28 ~~private investments to be used in implementing programs in~~  
29 ~~specific communities or geographic areas as may be determined~~  
30 ~~by the state board.~~

31 ~~(d) The state board shall adopt regulations for the~~  
32 ~~implementation of this section by July 1, 2012.~~

33 ~~38578. The state board shall adopt methodologies pursuant to~~  
34 ~~subdivision (a) of Section 38576 and regulations pursuant to~~  
35 ~~Section 38577 as emergency regulations in accordance with~~  
36 ~~Chapter 3.5 (commencing with Section 11340) of Part 1 of Division~~  
37 ~~3 of Title 2 of the Government Code.~~

38 *(c) Notwithstanding subdivision (b), a person or entity shall not*  
39 *be credited with a greenhouse gas emission offset pursuant to*  
40 *subdivision (b) for undertaking a project that is required by law*

- 1 *or regulation, or for which the person or entity has received*
- 2 *another greenhouse gas emission offset.*

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